

An aerial photograph of a white, two-story house with a grey roof, nestled in a dense forest of trees with vibrant autumn foliage in shades of orange, yellow, and red. The house is surrounded by a green lawn and a small fence.

# VERMONT

FISCAL YEAR

2002

ANNUAL REPORT



RURAL DEVELOPMENT



# MESSAGE FROM STATE DIRECTOR LaClair



Dear Friends:

USDA Rural Development extends federal resources to almost every Vermont community. We work hard to adapt to society's ever-changing needs, recognizing that our success is dependent upon the melding of financial and human capital to chip away at the barriers impeding healthy growth and happy living for every citizen in our state.

Through a myriad of rural housing, community and business programs, Rural Development provides the financing and technical assistance that makes a difference to communities and

their residents. Our customer base is diverse: it is the community that needs to upgrade its wastewater system to ensure a healthy local environment and economy; it is the school teacher who helps shape our children's future and needs an affordable home; it is the manufacturer hoping to expand its business and create 10 more good-paying jobs.

In fiscal year 2002, Rural Development had the opportunity to invest \$57,401,596 in Vermont. When your tax dollars are spent through a Rural Development program, each beneficiary must demonstrate their commitment to wisely use these federal resources. Through a combination of grants, loans and loan guarantees, Rural Development helped low-income residents, non-profit organizations, communities and businesses realize dreams and goals which otherwise would not have been possible.

Rural America faces numerous challenges, many of which are mirrored and sometimes magnified in Vermont's backyard. Our partnerships between federal, state and non-profit agencies, and private sector enterprises, help us stretch our valuable resources and effect change. For the second time, Rural Development recognized a 'Partner of the Year', an organization which works closely with our agency and staff to make life better wherever we can. This year, Franklin County Industrial Development Corporation received the award for their commitment to providing creative and caring business and community development to the people and communities of Franklin County.

I am proud to share USDA Rural Development's 2002 Annual Report, highlighting our achievements in Vermont's backyard.

Sincerely,

JOLINDA H. LA CLAIR



## HOUSING PROGRAMS: \$22,640,871



We are pleased with our FY 2002 results in providing affordable housing options for low and middle-income rural residents in Vermont.

**Home Ownership:** We made 122 subsidized single family loans for a total of \$8.1 million: an increase of 32% over 2001. An additional \$1.8 million of leveraged dollars were provided from other funding partners representing an 80% loan participation rate. In our ***Loan Guarantee Program***, we provided guaranteed loans to 105 families for a total of \$9 million. We expect an even greater use of this program in 2003 now that our one-time mortgage insurance fee has dropped to 1.5%. This program provides the lowest cost mortgage insurance on the market for 100% no-down-payment financing. We want to thank all of our participating lenders, especially Chittenden Bank with \$2.9 million in loans, and look forward to their increased use of this program in the future. A \$70,000 ***Technical Assistance Grant*** was made to Rutland West Neighborhood Housing to expand their Homeownership Education to Addison and Bennington Counties.

**Home Repairs:** For very low-income homeowners who need essential repairs, access modification, or weatherization, we offer 1% loans up to \$20,000, and can offer grants to elderly households based on need. This past year we helped 103 households and provided a total of \$497,265 in loans and grants to Vermonters in need; an increase of 40% from 2001. ***Housing Preservation Grants*** totaling \$138,500 were also awarded to the City of Montpelier and Gilman Housing Trust to rehab single family homes in Washington, Caledonia, Orleans and Essex Counties.

**Multi-Family Housing:** 1,092 units of the 1,458 unit RD portfolio in Vermont received project-based rental assistance subsidies totaling \$1,995,371. The subsidies ensure that no tenant base of affordable units through our Section 515 Loan Program. In FY 02, we were able to fund two new projects for a total of \$1,600,000 (32 units) in Springfield and Vergennes. As properties age, rehabilitation is critical to ensure health and safety for all residents. An additional \$923,000 was secured to renovate three existing RD properties.



Before

*Moose River Apts.  
St. Johnsbury, VT  
28 units of substantial  
rehabilitation to the old  
Town House Terrace  
apartment complex.*



After



## COMMUNITY FACILITY PROGRAMS: \$3,481,905



Rural Development provides funding to assist communities and non-profit organizations with development of facilities needed to provide essential community services such as child care, health care, education, fire and rescue, and transportation.

**Community Facility Loans, Grants and Loan Guarantees:** \$3,481,905 was awarded to 18 communities and organizations. Much of our activity continues to be in the area of fire and rescue services. Funding was provided for four fire trucks, two fire/rescue service buildings, and emergency response equipment for two communities. Child care also remains an area of high need. Projects were funded for Champlain Islands Parent/Child Center, a proposed new 24 hour child care facility in Newport and the Greensboro Community Child Care Center.



*This new fire department now provides fire service to the 320 residents of Westmore. Rural Development provided a \$10,875 grant to assist with repairs to a 1979 Mack pumper that was donated to them by Nashua, NH as well as a \$12,000 Community Facility Economic Impact Grant to purchase 15 sets of protective gear to meet OSHA and NFPA safety requirements. RD salutes the newly formed Westmore Fireman's Association for exemplifying community spirit and action.*

The Alburg Volunteer Fire Department undertook a major building expansion and included much needed space for the town clerk's offices. This innovative partnership between a community and a non-profit was inspired by our local Rural Development Specialist. We provided a \$914,400 direct loan and \$50,000 grant for the project which will begin construction in the spring of 2003.

Recreation continues to be a niche for our guaranteed program where we provided a loan guarantee to Community National Bank to fund a portion of the cost to develop the "Ice Center of Washington West". The Ice Center will include an ice skating rink, a concession stand and a rental shop and will serve the towns of Warren, Waitsfield, Fayston, Moretown, Duxbury and Waterbury.



## RURAL UTILITY PROGRAMS: \$16,993,400



Through project financing and technical assistance, USDA builds infrastructure to provide rural businesses and households with modern telecommunications and water and wastewater service. This includes bringing the "Information Superhighway" to rural America and delivering safe, clean drinking water with environmentally sound wastewater disposal to rural areas.

**Water and Wastewater:** The Farm Bill provided an "end of the year" boost to this program. Over \$16 million in loans and grants went to 7 communities to build, improve or expand public water and sewer facilities. This included a new community sewer system in Pownal, sewer upgrades in Springfield, Bradford, Lyndon, Sheldon and water improvements in Orleans, Springfield and Cavendish.

**Solid Waste Management Grants:** The Central Vermont and Windham Solid Waste Management Districts and Northeast Recycling Council, a multi-state recycling organization located in Brattleboro, received a total of \$162,000 in grants to support their technical assistance programs.

**Distance Learning/Telemedicine:** Two workshops were held early in the year to encourage Vermont applications in this nationally competitive program. We are pleased that the Visiting Nurse Alliance of VT/NH received a \$400,000 grant to support their point of care and telemedicine equipment, software and training.



*A visiting nurse checks the blood pressure of a special client. The \$400,000 USDA Rural Development telemedicine grant will help with the purchase of technology and telemedicine equipment that will reduce time needed to complete paperwork, minimize travel time and costs, and increase access to patient vital statistics on a daily basis.*

**Technical Assistance:** Rural Development funding provides free on-site operational assistance and training for rural water and wastewater systems through the Northeast Rural Water Association (NeRWA). During 2002, NeRWA assisted 138 water and wastewater systems in Vermont with 679 assistance visits. Rural Development also provides funding support to the Rural Community Assistance Program (RCAP). RCAP provides support to existing and potential water/wastewater systems with project development issues such as forming Fire Districts, public education and income surveys. In 2002 the RCAP staff assisted 12 Vermont communities.





## BUSINESS PROGRAMS: \$14,285,420



**Guaranteed Loans:** *The Business and Industrial Loan Guarantee Program* helps lenders finance high quality businesses that will create and save quality jobs. In 2002, we guaranteed five loans totaling \$12,600,000 and leveraged \$4,103,000 of private investment. These funds helped to create or save 672 jobs that pay an average wage of \$13.63 an hour.

Participating lenders include Chittenden Bank, Merchants Bank and First International Bank. Our partnerships with Vermont Economic Development Authority (VEDA), the VT Department of Economic Development (DED) and the Regional Development Corporations (RDCs) were vital to our program successes in Fiscal Year 2002. VEDA's participation program works in conjunction with our loan guarantee to provide below market rates to qualified businesses. Franklin County Industrial Development Corporation and the Springfield Regional Development Corporation were instrumental in the development of projects for Vermont Precision Tools of Swanton and Vermont Machine Tool of Springfield respectively. The DED has added Rural Development to their "resource team" to assist existing and potential Vermont businesses. Thank you lenders and partners for helping this program work for Vermont businesses!



*Employees of Vermont Machine Tool in Springfield with the first two machines manufactured as a result of their acquisition of the former Bryant Grinder Corporation. A Rural Development Business & Industry Loan Guarantee helped finance this business venture.*

**Grants:** Our *Rural Business Enterprise and Opportunity Grant Programs* awarded \$559,951 to eleven organizations and communities. The Northeast Kingdom Rural Economic Area Partnership (REAP) Zone received technical assistance grants to study telecommunications capacity, develop infrastructure to attract work-at-home companies, assist former employees of Ethan Allen to develop their own wood products business and expand the road and utilities in the Hardwick Industrial Park. Technical assistance grants to bolster the state's farm income were also provided to the Vermont Maple Sugar Makers' Association, the VT Department of Agriculture and the Vermont Fresh Network.

Vermont Public Television received \$400,000 to produce additional programs for the popular "Outdoor Journal" series and a documentary on the history of the Connecticut River.



Prior year grants implemented in 2002 accomplished the following:

- *Delivery of SmartBooks Accounting training to 25 Northeast Kingdom businesses;*
- *Completion of a community kitchen and co-packing facility feasibility study for the Intervale Foundation in Burlington;*
- *Completion of a pilot cooperative farm labor program;*
- *Development of a training curriculum for Northeast Kingdom businesses;*
- *Established a web site ([www.abenaki.com](http://www.abenaki.com)) to market Abenaki businesses (see left);*
- *Developed the 2002 Annual Vermont Fresh Catalog to market fresh agricultural products to chefs and restaurants and to develop a more streamlined format for delivery.*

Passage of the Farm Bill provided new opportunities in the form of ***Value-Added Market Development Grants***. Three Vermont agricultural producers were selected to receive a total of \$380,469. These grants will support market expansion for Cabot Cheese and Vermont Quality Meats and investigate the feasibility of selling Merino wool and maple products to tourists at the Adams Petting Farm in Wilmington.

**Intermediary Relending Program:** *The Intermediary Relending Program* (IRP) provides wholesale, low-cost capital to community based revolving loan funds which in turn relend the funds to small businesses for expansion. Since its inception in 1988, the Vermont IRP program has closed 374 loans for \$22.9 million, leveraged \$100.3 million of private capital and impacted 4,975 jobs. During Fiscal Year 2002, five active intermediary organizations closed 22 loans for a total of \$855,389 that saved or created 186 jobs in 7 Vermont counties.

Three loans were made by the Vermont Community Loan Fund and Gilman Housing Trust partnership to help private landlords in the Northeast Kingdom. The loans upgraded 19 units of rental housing in the Kingdom. In addition, \$345,000 of IRP capital was provided to the Rutland Economic Development Corporation, one of our most active intermediaries, to recapitalize their revolving loan fund.

In all of our business programs, we continue to seek ways to enhance the development of value-added agricultural and wood products that will keep our agricultural and natural resource based economies viable.

# MESSAGE FROM USDA SECRETARY ANN VENEMAN



This past year the Bush Administration continued a strong commitment to expanding jobs and bringing renewed economic opportunities to rural America.

One of the President's top priorities is to create new jobs and help spark economic growth. The tax relief package that the President signed into law in 2001 continues to help families throughout America. USDA's Rural Development programs are also creating new opportunities. In 2002, for example, economic grants and loans provided by USDA helped create or protect more than 150,000 rural jobs.

As we embark upon a new year, we have a strong agenda and many opportunities to strengthen America's rural communities. The Administration will continue to build upon the principles outlined in our policy publication, "Food and Agricultural Policy: Taking Stock for the New Century". Our team at USDA will continue working with all interested parties and build new coalitions to help families, create jobs and invest in America's rural sectors.



## RD Staff CARES



*Staff from USDA Rural Development and the Central Vermont Homeownership Center gathered at the home of Mr. and Mrs. Peter Das to help paint their garage and plant trees. The Das family received a Rural Development home loan which enabled them to purchase a fully accessible home after Mr. Das lost his leg in a work accident.*



# MESSAGE FROM USDA RURAL DEVELOPMENT

## UNDER SECRETARY THOMAS DORR

A strong and vibrant economy in rural America serves as the cornerstone of President Bush's economic agenda. USDA Rural Development is working hard to expand economic opportunities and improve the quality of life for all of the 59 million Americans living in rural communities. Through the efficient and effective delivery of Rural Development initiatives, new jobs have been created, home ownership has increased and families and businesses have been strengthened. New investments and entrepreneurial spirit will continue to grow, bringing increased opportunity to rural areas.



From fire hydrants to fiber optic cable -- from sewers to symphonies -- USDA Rural Development financial and technical assistance is making a positive difference. In total, over \$12 billion was invested through USDA Rural Development programs in rural America in Fiscal Year 2002.

We have accomplished much in fiscal year 2002. However, to meet ongoing and future challenges, USDA Rural Development will focus in 2003 on four critical areas of economic opportunity:

- **Housing** - Rural Development has created a Five Star commitment to improving single-family housing lending to rural minority families as part of the President's minority homeownership initiative.
- **Broadband** - Rural Development will implement approximately \$1 billion in Broadband programs.
- **Bio-Mass** - Rural Development will assist in the development of alternative energy combustibles to replace petroleum-based products through value-added grants and business and industry loan guarantees.
- **Equity Capital** - The Farm Bill provides \$44 million in operational assistance grants and \$280 million in debenture guarantees for the Rural Business Investment Program (RBIP). The RBIP will increase the amount of capital available for investment in rural businesses and will provide technical assistance to these businesses.

Through our collective hard work we will continue to increase the economic opportunities in rural communities and improve the quality of life for all rural Americans.



## COMMUNITY OUTREACH



We take great pride in the investment that our agency makes in Vermont communities. During 2002 we continued our emphasis on serving the Northeast Kingdom Rural Economic Area Partnership (REAP) zone. Since this designation in November of 2000, over \$14.4 million of Rural Development funding has been committed to the Kingdom. The REAP designation benefits all of Vermont as it allows us to utilize our "regular" funding for the other 11 Vermont Counties and provides access to additional funds for the three counties of the Northeast Kingdom; Caledonia, Essex, and Orleans.

In 2002 we also partnered with the State of Vermont in their Successful Communities initiative which identified the Northeast Kingdom and Springfield as areas of high need for community and economic development. This partnership lead to our increased involvement in the Springfield water and wastewater projects and our investment in Vermont Machine Tool's acquisition of the former Bryant Grinder assets.

During 2002, our Rural Development Specialists worked with local communities in their respective regions. Some of their activities include:

- *Board development training, marketing and budgeting counseling to a non-profit child care facility in southern Vermont;*
- *Intensive assistance with a community-wide visioning forum in Alburg;*
- *Organizational assistance, board development and membership recruitment for the Farm Labor Service Cooperative;*
- *Support to the Economic Development Committee in Troy/Jay;*
- *Assistance with planning for a 2nd and 3rd shift childcare facility in the Brattleboro region.*

Our Homeownership Specialists continue the dual mission of providing Homebuyer Education and Rural Development loans to needy low-income buyers. Our partnership with the six Homeownership Centers couldn't be stronger. We welcome the addition of the new center in St. Albans which opened in January of 2002 and look forward to working closely with the staff.

We are also pleased that Lake Champlain Housing Development Corporation (LCHDC) was successful in the first round of funding for a new self-help construction program. LCHDC will develop approximately 15 single family homes with participating low-income families. Eligible families will build their own homes with loans provided by Rural Development. Technical assistance and supervision will be provided by LCHDC. The program is projected to begin the fall of 2003.



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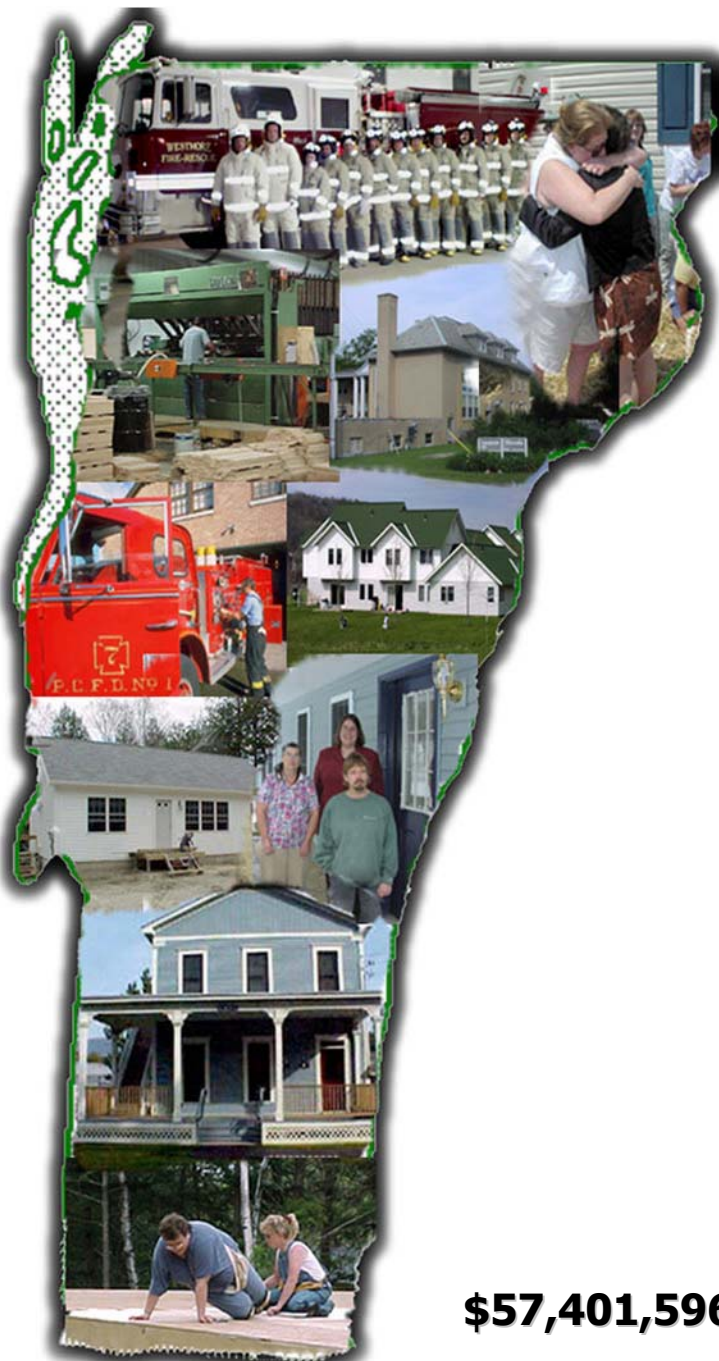
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**\$57,401,596 Invested In Vermont**